

CITY OF SANTA BARBARA WATERFRONT DEPARTMENT

MEMORANDUM

Date: November 18, 2021
To: Harbor Commissioners
From: Mike Wiltshire, Waterfront Director
Subject: **Proposed Lease Agreement With Santa Barbara Landing, LLC**

RECOMMENDATION:

That Harbor Commission review and recommend City Council approval of a ten-year lease agreement with two, five-year options with Santa Barbara Landing, LLC, for approximately 2,200 square feet of land area and 0.48 acres of water area located at 301 West Cabrillo Boulevard.

BACKGROUND:

For the past 25 years, 301 West Cabrillo Boulevard has served as the focal point of ocean adventures on the Central Coast offering multiple large-scale dive boats, whale watching, charter services, Jet Ski, Sea-Doo and SUP rentals, and a daily sport fishing vessel, all currently under separate subleases through the master tenant. A master lessee will be responsible for managing and improving services and offerings at the current site to be commensurate with the success of the Santa Barbara Waterfront and Harbor.

REQUEST FOR PROPOSAL REVIEW PROCESS:

Four proposals were received prior to the August 9, 2021, deadline. In accordance with the guidelines as outlined in the Request for Proposal document, the four proposals were first reviewed by a three member committee comprised of senior managers from various Departments within the City of Santa Barbara. The three member committee consisted of the City's Economic Development Manager, Airport Business Development Manager, and the Recreation Programs Manager. All three managers have considerable experience in reviewing, selecting, and negotiating successful City of Santa Barbara lease agreements. Waterfront staff met with the managers to discuss, in detail, the proposals and gather input from the group.

Upon conclusion of the discussion, the three senior managers unanimously recommended Santa Barbara Landing, LLC as the most responsive and most responsible proposer whose experience, and qualifications correspond best with the Local Coastal Program and the Waterfront Department's interests in regards to the lease space at 301 West Cabrillo Boulevard. The three member team believed the Santa Barbara Landing, LLC proposal to be highly detailed, visionary, well thought out including a realistic capital plan, that includes solid financial statements and a keen understanding of the site as well as the community and its needs.

The Harbor Commission Request for Proposal (RFP) Subcommittee held a public meeting on September 23, 2021, to review the four proposals submitted as part of the RFP process. The four proposals were provided to the Subcommittee for their review one week prior to the meeting. Following a brief staff presentation summarizing the RFP process, and each individual proposal, the Subcommittee members discussed the proposal including questions regarding certain components of various proposals. Subcommittee members unanimously agreed that the Santa Barbara Landing, LLC proposal is the most responsive, most well developed and prepared for short- and long-term success, and whose team experience, and qualifications correspond best with the Local Coastal Program and the Waterfront Department's interests in regards to the lease space at 301 West Cabrillo Boulevard. The Subcommittee then recommended, if the Harbor Commission agrees, to direct staff to negotiate a lease agreement with Santa Barbara Landing, LLC.

The Harbor Commission considered all four proposals at their meeting of October 21, 2021. The Harbor Commission agreed with the recommendation of the RFP Subcommittee, and directed staff to begin lease negotiations with Santa Barbara Landing, LLC and bring a draft lease agreement back to the Harbor Commission for review and concurrence.

PROPOSED LEASE AGREEMENT

Staff have worked with representatives of Santa Barbara Landing, LLC, and have developed a draft lease agreement that is consistent with other Waterfront Department tenants offering similar services in the Harbor in regards to length of term based on the level of capital improvement renovations proposed, percentage rent criteria, and insurance requirements. The business terms of the proposed lease are as follows:

- **Term:** Ten-year initial term with two, five-year options;
- **Base Rent:** Initial rate of \$120,000 per year, seasonally adjusted;
- **Percentage Rent:** Percentage rent varies based on activity; and,
- **Annual Rent Adjustment:** Cost of Living increases based on the Consumer Price Index (CPI)

Compliance with Coastal Land Use Plan: The Waterfront Department's leasing priorities are as follows: 1st Priority: ocean-dependent business, 2nd Priority: ocean-related business, and 3rd Priority: visitor-serving business. Ocean-dependent uses include those uses that assure the Harbor will remain a working harbor. The Harbor currently includes 20 ocean-dependent uses occupying 15,840 square feet of industrial space and 176,012 square feet of exterior space. Ocean-dependent uses range from boat mooring and marine-oriented government facilities (Channel Islands National Marine Sanctuary offices) to a boatyard/repair facility and a marine fuel dock. The lease space at 301 West Cabrillo Boulevard is considered an ocean-dependent use and was presented as such as part of the Five-Year Review of Uses in the Harbor Commercial Zone. The proposed uses by Santa Barbara Landing, LLC, meet the Waterfront's leasing priorities and conform to the City's Coastal Land Use Plan.